

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Wexford County Airport Authority	County Wexford
Fiscal Year End 12/31/2006	Opinion Date 1/10/2007	Date Audit Report Submitted to State 2/27/2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

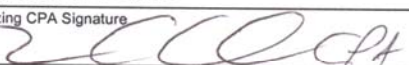
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number 231-775-9789	
Street Address 134 West Harris Street		City Cadillac	State MI
		Zip 49601	
Authorizing CPA Signature 	Printed Name Michael D. Cool, C.P.A.		License Number 1101023146

**WEXFORD COUNTY AIRPORT AUTHORITY**  
**(A Component Unit of Wexford County)**  
**ANNUAL FINANCIAL REPORT**  
  
**YEAR ENDED DECEMBER 31, 2006**

WEXFORD COUNTY AIRPORT AUTHORITY  
(A Component Unit of Wexford County)  
CADILLAC, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED DECEMBER 31, 2006

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1902 - 1990

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JERRY L. COTTER, C.P.A.  
DALE D. COTTER, C.P.A.

*Baird, Cotter and Bishop, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

January 10, 2007

INDEPENDENT AUDITORS' REPORT

To The Members of the Board  
Wexford County Airport Authority  
(A Component Unit of Wexford County)  
Cadillac, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wexford County Airport Authority, component unit of Wexford County, as of and for the year ended December 31, 2006, which collectively comprise the Airport Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Wexford County Airport Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wexford County Airport Authority, component unit of Wexford County, as of December 31, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages ii through vii is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepting in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

WEXFORD COUNTY AIRPORT AUTHORITY  
(A Component Unit of Wexford County)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED DECEMBER 31, 2006

The management of the Wexford County Airport Authority offers this narrative overview and analysis of the financial activities of the Airport for the year ended December 31, 2006 for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the Airport's financial activity. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements as a whole.

**Financial Highlights**

**Government-Wide**

- ❖ The assets of the Airport exceeded its liabilities at the close of this fiscal year by \$2,051,878 (shown as *Net Assets*). Of the net assets \$209,022 is unrestricted, the remaining assets are invested in capital assets.

**Fund Level Financial Highlights**

- ❖ As of December 31, 2006, the operating fund of the Wexford County Airport Authority reported an ending fund balance of \$61,676 of which \$22,299 is unreserved.

**Debt**

- ❖ As of December 31, 2006, the Airport is not obligated under any long-term debt.

**Overview of the Financial Statements**

The Wexford County Airport Authority's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-Wide Financial Statements** This report includes government-wide statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide a broad overview of the Airport's financial position. The Statement of Net Assets and the Statement of Activities are two financial statements that report information about the Airport as a whole, and provide measurements of long-term trends. They are presented using a method of accounting that is similar to a private-sector business.

The *Statement of Net Assets* (Page 1) presents information on all of the Airport's assets and liabilities, the difference between the two being reported as the Net Assets of the Airport. Over time, increases or decreases in net assets can serve as a useful indicator of whether the financial position of the Airport is improving or deteriorating. An increase in net assets would indicate an improvement in financial condition. On the other hand, a consistent decrease over time in net assets may indicate a decline in the financial health of an organization.

WEXFORD COUNTY AIRPORT AUTHORITY  
(A Component Unit of Wexford County)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED DECEMBER 31, 2006

The *Statement of Activities* (Page 2) gives the information on the revenues and expenses causing the underlying change in the government's net assets during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

Both of these statements distinguish functions of the Airport that are principally supported by fuel sales and contributions from local units (governmental activities) from other functions that are intended to recover all or most of their costs through rents, user fees and charges (business-type activities). Governmental activities of the Airport include the general government. Business-type activities of the Airport include the operation of T-Hangar rental buildings.

### **Fund Financial Statements**

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus has shifted, however, to Major Funds, rather than the previous focus on fund types. All of the Airport's funds are considered major funds.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The Wexford County Airport Authority uses fund accounting to ensure compliance with finance-related legal requirements. The Airport has two basic types of funds: governmental funds and proprietary funds.

***Governmental Funds*** Many of the Airport's basic services are reported in the governmental funds. Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This is known as the modified accrual system of accounting. Under this reporting system, capital items, debt payments and certain other items are treated differently than on the government-wide statements. These items are recorded in the governmental fund statements on the Statement of Revenues, Expenditures and Changes in Fund Balance as an expenditure. No depreciation is recorded on capital items. The balance sheet for governmental funds does not include any capital items or long-term debt. Governmental funds for the Airport include the Operating Fund.

***Proprietary Funds*** Proprietary funds account for services for which the Airport charges its customers for the services they are provided. The Airport has the following:

- Enterprise funds are used to report business-like activities of the Airport. These activities intend to recover the full cost of the services through the rent charged to the customers. The T-Hangar Fund is an Enterprise Fund.

WEXFORD COUNTY AIRPORT AUTHORITY  
(A Component Unit of Wexford County)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED DECEMBER 31, 2006

**Notes to the Financial Statements**

The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements. The notes can be found beginning on Page 10 of this report.

**Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Airport's financial position over time. The Net Assets of the Airport are \$2,051,878 at December 31, 2006, meaning that the Airport's assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. A comparison with the previous fiscal year is presented in order to show the change in Net Assets over the previous fiscal year.

*WEXFORD COUNTY AIRPORT AUTHORITY*  
*NET ASSETS*

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Current and Other Assets	\$ 66,343	\$ 63,306	\$ 147,346	\$ 124,516	\$ 213,689	\$ 187,822
Capital Assets	1,683,915	1,847,167	158,941	173,096	1,842,856	2,020,263
<b>Total Assets</b>	<b>\$ 1,750,258</b>	<b>\$ 1,910,473</b>	<b>\$ 306,287</b>	<b>\$ 297,612</b>	<b>\$ 2,056,545</b>	<b>\$ 2,208,085</b>
<b>Total Liabilities</b>	<b>\$ 4,667</b>	<b>\$ 12,397</b>	<b>\$ 0</b>	<b>\$ 1,031</b>	<b>\$ 4,667</b>	<b>\$ 13,428</b>
Net Assets						
Invested in capital assets	\$ 1,683,915	\$ 1,847,167	\$ 158,941	\$ 173,096	\$ 1,842,856	\$ 2,020,263
Unrestricted	61,676	50,909	147,346	123,485	209,022	174,394
<b>Total Net Assets</b>	<b>\$ 1,745,591</b>	<b>\$ 1,898,076</b>	<b>\$ 306,287</b>	<b>\$ 296,581</b>	<b>\$ 2,051,878</b>	<b>\$ 2,194,657</b>

The most significant portion of the Airport's Net Assets is the investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others). The Airport has \$209,022 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Airport policies regarding their use.

The following table illustrates and summarizes the results of the changes in the Net Assets for the Airport. The condensed information was derived from the government-wide Statement of Activities.

**WEXFORD COUNTY AIRPORT AUTHORITY**  
**(A Component Unit of Wexford County)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR YEAR ENDED DECEMBER 31, 2006**

*Wexford County Airport Authority*  
*Change in Net Assets*

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
<b><u>Revenues</u></b>						
<b>Program Revenues</b>						
Charges for Services	\$ 308,550	\$ 272,661	\$ 48,976	\$ 54,772	\$ 357,526	\$ 327,433
Operating Grants and Contributions	66,950	71,800	0	0	66,950	71,800
Capital Grants and Contributions	216,322	164,910	0	0	216,322	164,910
<b>General Revenues</b>					0	0
Unrestricted					0	0
Investment Earnings	335	577	3,549	1,851	3,884	2,428
Other	4,667	3,354	0	0	4,667	3,354
<b>Total Revenues</b>	<b>\$ 596,824</b>	<b>\$ 513,302</b>	<b>\$ 52,525</b>	<b>\$ 56,623</b>	<b>\$ 649,349</b>	<b>\$ 569,925</b>
<b><u>Expenses</u></b>						
General Government	\$ 758,854	\$ 561,782	\$ 0	\$ 0	\$ 758,854	\$ 561,782
T-Hanger	0	0	33,274	33,484	33,274	33,484
<b>Total Expenses</b>	<b>\$ 758,854</b>	<b>\$ 561,782</b>	<b>\$ 33,274</b>	<b>\$ 33,484</b>	<b>\$ 792,128</b>	<b>\$ 595,266</b>
Changes in Net Assets Before Transfers	\$ (162,030)	\$ (48,480)	\$ 19,251	\$ 23,139	\$ (142,779)	\$ (25,341)
Transfers In (Out)	9,545	31,000	(9,545)	(31,000)	0	0
Increase (Decrease) in Net Assets	\$ (152,485)	\$ (17,480)	\$ 9,706	\$ (7,861)	\$ (142,779)	\$ (25,341)
Beginning Net Assets	1,898,076	1,915,556	296,581	304,442	2,194,657	2,219,998
Ending Net Assets	<b>\$ 1,745,591</b>	<b>\$ 1,898,076</b>	<b>\$ 306,287</b>	<b>\$ 296,581</b>	<b>\$ 2,051,878</b>	<b>\$ 2,194,657</b>

**Financial Analysis of the Government's Funds**

**Operating Fund** – The Operating Fund is the main operating fund of the Airport. The Operating Fund increased its fund balance in this fiscal year by \$1,901, bringing the balance to \$61,676.

**T-hanger Fund** – The Airport's T-Hanger Fund is an enterprise fund used to account for all the acquisitions and operations of hangar buildings which the Authority leases out for storage of private aircrafts. The T-Hanger Fund currently has no debt as all the hangers are now paid for. For the year ended December 31, 2006, the fund increased net assets by \$9,706 to \$306,287. Of these net assets, \$158,941 are invested in capital assets and the remaining \$147,346 is unrestricted. Excess funds generated by this fund will be used in the future for building maintenance and possibly hanger expansion as well as supporting various other airport activities.



WEXFORD COUNTY AIRPORT AUTHORITY  
(A Component Unit of Wexford County)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED DECEMBER 31, 2006

**General Fund Budgetary Highlights**

Over the course of the year, the Airport revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Airport's original and final budget amounts compared with amounts actually paid and received is provided in the schedule of revenues, expenditures and changes in fund balance.

**Capital Asset and Debt Administration**

***Capital Assets***

At December 31, 2006, the Airport had net capital assets of \$1,842,856 invested in broad range of capital assets. The following table breaks down the various components of the Airport's capital assets.

Capital assets summarized below include any items purchased with a cost greater than \$5,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Land and Land Improvements	\$ 2,705,539	\$ 2,705,539	\$ 113,133	\$ 104,459	\$ 2,818,672	\$ 2,809,998
Buildings and Building Improvements	907,521	907,521	530,515	530,515	1,438,036	1,438,036
Office Equipment and Furniture	8,722	8,722	0	0	8,722	8,722
Machinery and Equipment	257,466	257,466	0	0	257,466	257,466
<b>Subtotal</b>	<b>\$ 3,879,248</b>	<b>\$ 3,879,248</b>	<b>\$ 643,648</b>	<b>\$ 634,974</b>	<b>\$ 4,522,896</b>	<b>\$ 4,514,222</b>
Accumulated Depreciation	(2,195,333)	(2,032,081)	(484,707)	(461,878)	(2,680,040)	(2,493,959)
<b>Net Capital Assets</b>	<b>\$ 1,683,915</b>	<b>\$ 1,847,167</b>	<b>\$ 158,941</b>	<b>\$ 173,096</b>	<b>\$ 1,842,856</b>	<b>\$ 2,020,263</b>

Major capital asset events during the current fiscal year included the following:

- The purchase of a paving addition by the T-Hangar Fund amounted to \$8,674.

***Long-Term Debt***

At the end of the current fiscal year, the Airport did not have any long-term debt outstanding.

**Economic Factors and Next Year's Budgets and Rates**

- Over the past several years, the Airport has experienced flat revenues and increasing costs. As the Airport looks to the future the Airport will consider ways to manage its budget in order to continue to provide services to the public.

WEXFORD COUNTY AIRPORT AUTHORITY  
(A Component Unit of Wexford County)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED DECEMBER 31, 2006

**Contacting the Airport's Financial Management**

This financial report is designed to provide the Airport's citizens, customers, investors and creditors with a general overview of the Airport's finances and to demonstrate the Airport's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Wexford County Airport Authority, 8040 E 34 Mile Road, Cadillac, Michigan 49601.

WEXFORD COUNTY AIRPORT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

STATEMENT OF NET ASSETS

DECEMBER 31, 2006

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
<u>Current Assets</u>			
Cash	\$ 27,431	\$ 101,311	\$ 128,742
Accounts Receivable	10,939	1,430	12,369
Due from Other Governments	33,201	0	33,201
Internal Balances	(44,605)	44,605	0
Inventories	32,635	0	32,635
Prepaid Expenses	6,742	0	6,742
Total Current Assets	66,343	147,346	213,689
<u>Non Current Assets</u>			
Capital Assets	3,879,248	643,648	4,522,896
Less Accumulated Depreciation	(2,195,333)	(484,707)	(2,680,040)
Total Non Current Assets	1,683,915	158,941	1,842,856
Total Assets	1,750,258	306,287	2,056,545
<u>Liabilities and Net Assets</u>			
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Payroll Withholding Payable	2,735	0	2,735
Customer Deposits Payable	1,932	0	1,932
Total Current Liabilities	4,667	0	4,667
<u>Net Assets</u>			
Invested in Capital Assets	1,683,915	158,941	1,842,856
Unrestricted	61,676	147,346	209,022
Total Net Assets	\$ 1,745,591	\$ 306,287	\$ 2,051,878

The notes to the financial statements are an integral part of this statement.

WEXFORD COUNTY AIRPORT AUTHORITY  
(A Component Unit of Wexford County)  
CADILLAC, MICHIGAN  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2006

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental Activities							
General Government	\$ 758,854	\$ 308,550	\$ 66,950	\$ 216,322	\$ (167,032)	\$ 0	\$ (167,032)
Business-type Activities							
T-Hanger	33,274	48,976	0	0	0	15,702	15,702
Total	<u>\$ 792,128</u>	<u>\$ 357,526</u>	<u>\$ 66,950</u>	<u>\$ 216,322</u>	<u>(167,032)</u>	<u>15,702</u>	<u>(151,330)</u>
<u>GENERAL REVENUES</u>							
Unrestricted Investment Earnings					335	3,549	3,884
Other Revenues					4,667	0	4,667
Transfers					9,545	(9,545)	0
Total General Revenues and Transfers					<u>14,547</u>	<u>(5,996)</u>	<u>8,551</u>
Change in Net Assets					<u>(152,485)</u>	<u>9,706</u>	<u>(142,779)</u>
<u>NET ASSETS</u> - Beginning of Year					<u>1,898,076</u>	<u>296,581</u>	<u>2,194,657</u>
<u>NET ASSETS</u> - End of Year					<u>\$ 1,745,591</u>	<u>\$ 306,287</u>	<u>\$ 2,051,878</u>

The notes to the financial statements are an integral part of this statement.

WEXFORD COUNTY AIRPORT AUTHORITY  
(A Component Unit of Wexford County)  
CADILLAC, MICHIGAN

OPERATING FUND

COMPARATIVE BALANCE SHEET  
DECEMBER 31,

	2006	2005
<u>ASSETS</u>		
Cash	\$ 27,431	\$ 23,448
Accounts Receivable		
Trade (Net of \$1,200 Allowance for Uncollectibles)	10,939	5,342
Due from Other Governments	33,201	0
Inventory - Fuel	32,635	41,750
Prepaid Insurance	6,742	550
TOTAL ASSETS	<u>\$ 110,948</u>	<u>\$ 71,090</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 0	\$ 1,124
Payroll Withholdings	2,735	2,220
Due to Other Funds	44,605	7,784
Customer Deposits	1,932	187
Total Liabilities	<u>49,272</u>	<u>11,315</u>
<u>FUND BALANCE</u>		
Reserved for:		
Inventory and Prepaid Expense	39,377	42,300
Unreserved		
Undesignated	22,299	17,475
Total Fund Balance	<u>61,676</u>	<u>59,775</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 110,948</u>	<u>\$ 71,090</u>

The notes to the financial statements are an integral part of this statement.

WEXFORD COUNTY AIRPORT AUTHORITY  
(A Component Unit of Wexford County)  
CADILLAC, MICHIGAN

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

DECEMBER 31, 2006

Total Governmental Fund Balance	\$ 61,676
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.

The cost of the capital assets is	\$ 3,879,248
Accumulated depreciation is	<u>(2,195,333) 1,683,915</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,745,591</u>
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The notes to the financial statements are an integral part of this statement.

WEXFORD COUNTY AIRPORT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

OPERATING FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2006

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2005

	<u>BUDGET</u>		<u>2006</u>	<u>2005</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>				
Federal Grants	\$ 120,000	\$ 153,508	\$ 216,322	\$ 31,733
State Grants	5,000	0	0	33,177
Contributions from Local Units				
Wexford County	40,000	40,000	40,000	40,000
City of Cadillac	30,000	26,800	26,800	31,800
Total Contributions from Local Units	70,000	66,800	66,800	71,800
Charges for Services				
Operating Fees	1,350	2,750	1,975	1,410
Landing Fees	3,000	3,600	3,630	2,720
100 Low Lead Fuel Sales	110,000	88,000	84,348	107,303
Jet Fuel Sales	125,000	170,410	165,214	113,616
Oil Sales	80	160	141	69
Resale Items	1,160	1,165	971	1,102
Total Charges for Services	240,590	266,085	256,279	226,220
Interest and Rents				
Interest Income	80	350	335	251
Rental Income				
Hangar Rental and Tie Downs	10,500	12,000	11,835	10,204
Airport Facility Rental	33,852	37,352	36,836	32,637
Equipment Rental	3,600	3,600	3,600	3,600
Total Rental Income	47,952	52,952	52,271	46,441
Total Interest and Rents	48,032	53,302	52,606	46,692

The notes to the financial statements are an integral part of this statement.

WEXFORD COUNTY AIRPORT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

OPERATING FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2006

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2005

	<u>BUDGET</u>		<u>2006</u>	<u>2005</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Other Revenue				
Refunds and Rebates	0	4,713	4,667	3,329
Contributions and Donations				
from Private Sources	0	150	150	100,000
Commissions	15	15	0	25
Total Other Revenue	15	4,878	4,817	103,354
Total Revenues	483,637	544,573	596,824	512,976

EXPENDITURES

Personal Services				
Managers' Salary	36,000	33,300	33,196	30,900
Other Wages	35,280	45,450	45,193	33,298
Contractual Services				
Board Per Diem	2,100	1,700	1,700	1,650
Professional Services	8,000	8,800	8,776	8,473
Telephone	3,780	3,417	3,425	2,805
Insurance	17,855	17,455	15,779	16,138
Repairs and Maintenance	21,100	21,420	20,184	57,765
Miscellaneous	2,600	1,900	1,735	1,491
Resale Supplies				
100 Low Lead Fuel	82,500	65,716	64,314	82,556
Jet Fuel	87,500	119,363	116,667	80,648
Aviation Oil	300	0	0	263
Other	720	1,175	1,029	785
Operating Supplies	3,300	3,330	3,220	9,712
Office Supplies	4,000	3,050	2,931	3,871
Utilities	9,695	9,481	9,179	10,145
Travel and Education	400	300	283	270
Advertising	550	586	567	549
Employee Fringe Benefits	19,400	19,300	16,666	15,100
Capital Outlay	120,000	170,633	234,273	135,660

The notes to the financial statements are an integral part of this statement.



WEXFORD COUNTY AIRPORT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

OPERATING FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2006

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2005

	<u>BUDGET</u>		<u>2006</u>	<u>2005</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Debt Service				
Principal	0	0	0	16,002
Miscellaneous				
Sales Tax	13,566	16,410	14,562	12,254
Fuel and Oil - Airport Use	3,700	5,325	5,130	4,278
Dues and Fees	400	290	286	340
Service Charges	150	200	181	259
Credit Card Expense	5,400	5,400	4,622	5,238
Miscellaneous	550	620	570	1,196
Total Expenditures	478,846	554,621	604,468	531,646
Excess (Deficiency) of Revenues				
Over Expenditures	4,791	(10,048)	(7,644)	(18,670)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In (Out)				
T-Hangar Fund	0	9,545	9,545	31,000
Net Change in Fund Balance	4,791	(503)	1,901	12,330
<u>FUND BALANCE</u> - Beginning of Year	59,775	59,775	59,775	47,445
<u>FUND BALANCE</u> - End of Year	\$ 64,566	\$ 59,272	\$ 61,676	\$ 59,775

The notes to the financial statements are an integral part of this statement.

WEXFORD COUNTY AIRPORT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2006

Net change in Fund Balance Total Governmental Funds	\$ 1,901
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(163,252)
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Employees compensated absences are reported on the accrual method in the statement of activities, and recorded as expenditures when financial resources are used in the governmental funds.

Compensated Absences - Beginning of Year	8,866
Compensated Absences - End of Year	<u>0</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (152,485)</u>
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The notes to the financial statements are an integral part of this statement.

WEXFORD COUNTY AIRPORT AUTHORITY  
(A Component Unit of Wexford County)  
CADILLAC, MICHIGAN

T-HANGAR FUND

COMPARATIVE STATEMENT OF NET ASSETS  
DECEMBER 31,

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 101,311	\$ 115,313
Accounts Receivable	1,430	1,419
Due from Other Funds	44,605	7,784
Total Current Assets	<u>147,346</u>	<u>124,516</u>
<u>FIXED ASSETS</u>		
Buildings and Improvements	530,515	530,515
Taxiways	113,133	104,459
Accumulated Depreciation	(484,707)	(461,878)
Total Fixed Assets	<u>158,941</u>	<u>173,096</u>
 TOTAL ASSETS	 <u>306,287</u>	 <u>297,612</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Customer Deposits	<u>0</u>	<u>1,031</u>
<u>NET ASSETS</u>		
Invested in Capital Assets	158,941	173,096
Unrestricted	147,346	123,485
Total Net Assets	<u>\$ 306,287</u>	<u>\$ 296,581</u>

The notes to the financial statements are an integral part of this statement.

WEXFORD COUNTY AIRPORT AUTHORITY  
(A Component Unit of Wexford County)  
CADILLAC, MICHIGAN

T-HANGAR FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

YEARS ENDED DECEMBER 31,

	<u>2006</u>	<u>2005</u>
<u>OPERATING REVENUES</u>		
Charges for Services		
Hangar Rental	\$ 48,976	\$ 54,772
<u>OPERATING EXPENSES</u>		
Utilities	1,826	2,119
Insurance	3,476	2,781
Repair and Maintenance	0	794
Snow Removal	3,600	3,600
Depreciation	22,829	22,656
Service Charges	283	309
Audit	1,260	1,225
Total Operating Expenses	33,274	33,484
Operating Income	15,702	21,288
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest Income	3,549	1,851
Income (Loss) Before Transfers	19,251	23,139
<u>TRANSFERS</u>		
Transfers In (Out)		
Operating Fund	(9,545)	(31,000)
Change in Net Assets	9,706	(7,861)
<u>TOTAL NET ASSETS</u> - Beginning of Year	296,581	304,442
<u>TOTAL NET ASSETS</u> - End of Year	\$ 306,287	\$ 296,581

The notes to the financial statements are an integral part of this statements.

WEXFORD COUNTY AIRPORT AUTHORITY  
(A Component Unit of Wexford County)  
CADILLAC, MICHIGAN

T-HANGAR FUND  
COMPARATIVE STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31,

	<u>2006</u>	<u>2005</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Operating Income	\$ 15,702	\$ 21,288
Adjustments to Reconcile Net Operating Income to		
Net Cash Provided by Operating Activities:		
Depreciation	22,829	22,656
Accounts Receivable (Increase) Decrease	(11)	(46)
Due to/from Other Funds (Increase) Decrease	(36,821)	(4,239)
Customer Deposits Increase (Decrease)	(1,031)	(1,100)
Transfers In (Out)	(9,545)	(31,000)
	<u>(8,877)</u>	<u>7,559</u>
<u>CASH FLOWS FROM CAPITAL AND</u>		
<u>RELATED FINANCING ACTIVITIES:</u>		
Acquisition of Capital Assets	<u>(8,674)</u>	<u>0</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest Received	<u>3,549</u>	<u>1,851</u>
	<u>(14,002)</u>	<u>9,410</u>
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<u>115,313</u>	<u>105,903</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u>\$ 101,311</u>	<u>\$ 115,313</u>

The notes to the financial statements are an integral part of this statement.

WEXFORD COUNTY AIRPORT AUTHORITY  
(A Component Unit of Wexford County)  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Wexford County Airport Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Airport's accounting policies are described below.

**A. Reporting Entity**

The Wexford County Airport Authority is organized to own and operate the Wexford County Airport at Cadillac, Michigan. The Authority board is composed of seven members, four of whom are appointed by Wexford County and three of whom are appointed by the City of Cadillac. As such, the Authority is considered to be a component unit of Wexford County.

The accounting policies of the Authority conform to generally accepted accounting principles as applicable to governments. The Authority grants credit to its customers for hangar rental and aviation fuel sales, of which the majority are based in the Cadillac, Michigan area.

For external financial reporting purposes, the Authority includes all funds that are controlled by or dependent on the Authority's legislative branch.

**B. Government-wide and Fund Financial Statements**

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental

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DECEMBER 31, 2006

activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Airport as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government has the following fund types:

***Governmental funds*** are used to account for the authority's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The authority considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

GOVERNMENTAL FUNDS include the following fund types:

The *Operating Fund* of the Authority is used to account for all financial resources except those required to be accounted for in another fund. The fund includes the general operating expenditures of the Authority. Revenues are derived primarily from fuel sales and contributions from local units.

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*Proprietary funds* are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Authority applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Proprietary funds include the T-Hangar Fund which is an enterprise fund used to account for all the acquisitions and operations of hangar buildings which the Authority leases out for storage of private aircraft.

The fund is operated in a manner similar to a private business where the intent of the Authority is that the costs (expenses, including depreciation) of providing this service to the general public on a continuing basis be financed or recovered through user charges.

**D. Assets, Liabilities and Equity**

**1. Deposits and Investments**

The Airport Treasurer is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following:

- i. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- ii. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution. Authorized depositories shall be designated by the Wexford County Airport Authority at the Authority's organizational meeting after each regular election of members.
- iii. Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- iv. Repurchase agreements consisting of instruments listed in (i).
- v. Banker's acceptances of United States banks.
- vi. Obligations of this state or any of its political subdivisions that at the time of purchase are rated investment grade by not less than one standard rating service.
- vii. Mutual funds registered under the Investment Company Act of 1940, title I of chapter 686, 54 Stat. 789 15 U.S.C. 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by the Authority. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.



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viii. Investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.512.

ix. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.118.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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Property, plant and equipment of the Airport are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Hangers	25
Equipment and Furniture	10-20
Improvements	20
Land	N/A
Vehicles	10

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated value on the date donated.

5. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

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DECEMBER 31, 2006

1. Prior to December 31, the Airport manager submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Once the Airport Authority Board approves the budget, it is submitted to the Wexford County Board of Commissioners and the Cadillac City Council for approval of their respective appropriations for Airport operations.
3. Budgets are adopted on the same modified accrual basis used to reflect actual revenues and expenditures.
4. Budgeted amounts are as originally adopted or as amended, by the Authority Board, from time to time during the year.
5. All appropriations lapse at year end.

**B. Excess of Expenditures Over Appropriations**

Excess of expenditures over appropriations occurred in the following fund: Operating Fund expenditures of \$604,468 exceeded appropriations of \$554,621 by \$49,847.

**NOTE 3. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The Airport's deposits and investments are on deposit with various institutions.

*Investment rate risk.* The Airport will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Airport's cash requirements.

*Foreign currency risk.* The Airport does not have a policy on this type of risk.

*Credit risk.* The Airport will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Airport's investment policy; and pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisors with which the Airport will do business in accordance with the Airport's investment policy.

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NOTES TO FINANCIAL STATEMENTS  
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*Concentration of credit risk.* The Airport will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Airport's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of December 31, 2006, none of the Airport's bank balance of \$130,129 was exposed to custodial credit risk.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Airport's investments are categorized to give an indication of the level of risk assumed by the Airport at year end. Category 1 includes investments that are insured or registered, or securities held by the Airport or the Airport's agent in the Airport's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Airport's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Airport's name. At year end, the Airport held no investments.

**B. Receivables**

Receivables as of year end for the government's individual major funds, including the applicable allowances for uncollectible accounts are as follows:

	Governmental Activities	Business-type Activities	Totals
Accounts	\$ 10,939	\$ 1,430	\$ 12,369

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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006

**C. Capital Assets**

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 125,000	\$ 0	\$ 0	\$ 125,000
Capital assets, being depreciated				
Buildings	907,521	0	0	907,521
Land improvements	2,580,539	0	0	2,580,539
Office equipment and furniture	8,722	0	0	8,722
Machinery and equipment	257,466	0	0	257,466
Total capital assets, being depreciated	3,754,248	0	0	3,754,248
Less accumulated depreciation for:				
Buildings	241,364	25,399	0	266,763
Land improvements	1,560,649	129,027	0	1,689,676
Office equipment and furniture	7,690	473	0	8,163
Machinery and equipment	222,378	8,353	0	230,731
Total accumulated depreciation	2,032,081	163,252	0	2,195,333
Total capital assets, being depreciated, net	1,722,167	(163,252)	0	1,558,915
Governmental activities capital assets, net	\$ 1,847,167	\$ (163,252)	\$ 0	1,683,915
<u>Business-type activities</u>				
Capital assets, being depreciated				
Buildings and building improvements	\$ 530,515	\$ 0	\$ 0	530,515
Land improvements	104,459	8,674	0	113,133
Total capital assets, being depreciated	634,974	8,674	0	643,648
Less accumulated depreciation for:				
Buildings and building improvements	389,652	18,519	0	408,171
Land improvements	72,226	4,310	0	76,536
Total accumulated depreciation	461,878	22,829	0	484,707
Business-type activities capital assets, net	\$ 173,096	\$ (14,155)	\$ 0	158,941
Net capital per Statement of Net Assets				<u>\$ 1,842,856</u>

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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ <u>163,252</u>
Business-type activities:	
T-Hangar	\$ <u>22,829</u>

**D. Interfund Receivables and Payables**

Individual fund interfund receivable and payable balances at December 31, 2006, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
Operating Fund	\$ 0	\$ 44,605
Enterprise Funds		
T-Hangar Fund	<u>44,605</u>	<u>0</u>
	<u>\$ 44,605</u>	<u>\$ 44,605</u>

**E. Leases**

The Authority owns and/or operates hangar buildings which it leases out to private plane owners. These leases are all annual or month-to-month leases. The Authority leases facilities to a fixed base operator on an annual basis. There are no long-term lease commitments.

**F. Debt**

The following is a summary of debt transactions of the Wexford County Airport Authority for the year ended December 31, 2006:

	<u>COMPENSATED ABSENCES</u>
Debt Payable at January 1, 2006	\$ 8,866
Additions	0
Reductions	<u>(8,866)</u>
Debt Payable at December 31, 2006	<u>\$ 0</u>

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**G. Fund Balance Reserves and Designations**

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Airport has reserved fund balances in the operating fund. This reserve is detailed in the following schedule:

FUND BALANCE

Reserved

Operating Fund

Inventory and Prepaids

\$ 39,377

**NOTE 4. OTHER INFORMATION**

**A. Risk Management**

The Authority has purchased a commercial insurance policy in order to minimize any potential risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claims have not exceeded coverage limits in any of the last three years.

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*Baird, Cotter and Bishop, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

January 10, 2007

Members of the Board  
Wexford County Airport Authority  
(A Component Unit of Wexford County)  
Cadillac, Michigan

We have completed our audit of your financial statements for the year ended December 31, 2006. As a result of our audit, we would like to make the following comments and recommendations.

#### Records

The Airport records were found to be in good order. The airport did a good job of addressing the issues in last year's letter of comments and recommendations.

#### Material Weakness in Internal Control

In planning and performing our audit of the financial statements of the Wexford County Airport Authority for the year ended December 31, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The relatively small number of people involved in the accounting functions of the Airport make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce, to a relatively low level, the risk that errors or irregularities in amounts that would be material to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.



Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

The foregoing is a communication which is required by Statement on Auditing Standards Number 60. We realize that it is not feasible for the Board to establish a larger accounting staff in order to implement proper segregation of duties, the Board should insure that adequate fidelity bonds are maintained for all persons responsible for handling Authority funds.

This report is intended solely for the information and use of the Board, management, and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

We appreciate the Airport staff's cooperative spirit and assistance in completing our audit. We would also like to thank the Board for this opportunity to be of service. If there are any questions regarding the foregoing or any other accounting matters, please do not hesitate to call on us.

Very truly yours,

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*